Visa Government Forum Comes to D.C.

The annual Visa Government Forum provides the latest news and developments on payment card programs to federal agency program coordinators in a collaborative, educational setting. This year's Forum will feature updates on topics ranging from government policy issues and mandates to interactive demos of the latest products. To enhance attendees' experiences, this year's Forum will feature more open discussions of the hottest issues through formal sessions and networking opportunities.

Visa Government Forum Agenda – May 5

Visa Commercial Solutions Product Update

Visa Program Optimization Award Presentation

GSA SmartPay Update
Donna Bennett, commissioner, Federal Supply Service, General Services Administration

Association of Government Accountants Purchase Card Study Update
Relmond Van Daniker, executive director of the AGA, and Merl Hackbart, Ph.D., University of Kentucky, and research director of the purchase card study
Visa, in partnership with the Association of Government Accountants, will review progress of a recent study to determine the value of the purchase card — quantifying card savings and agency best practices.

Office of Management and Budget Charge Card Circular Update/Creditworthiness
Danny Werfel, director, Financial Integrity and Analysis branch in the Office of Federal Financial Management, Office of Management and Budget

Breakout Sessions – Travel, Purchase, and Fleet Roundtables
This year's breakout sessions offer a unique opportunity to share travel, purchase, and fleet card experiences and discuss specific issues, projects, or products with peers. When registering for the Forum, please let us know whether you will attend the travel, purchase, or fleet breakout session.

International Update
Stephen Heard, director of commercial solutions, Office of Government Commerce Buying Solutions, United Kingdom

Legislative Update

Visa Government Forum Agenda, Technology Day – May 6

Technology Day is back by popular demand, offering hands-on demonstrations and interactive discussions on a variety of important products and issues, including 1099/1057, QMart (Visa's data marketing tool), Supplier Locator, Visa Fleet, Visa Commerce, Federal Benefits Calculator, and Federal Best Practices Performance Gauge.

The Visa Government Forum is free and open to all GSA program participants. Please register at *www.visa.com/government* and indicate which day(s) of the conference you plan to attend.

IN THIS ISSUE

VISA®

West Virginia Builds Card Payment Program Success From the Ground Up

The Visa Exchange regularly highlights real-world examples of agencies that have established innovative practices for card operations. This issue features the real-world success of the state of West Virginia.

With little fanfare but plenty of vision, the state of West Virginia has become one of the first states to create and implement a purchase card program, and the first and only state to mandate participation by every state agency. Originally piloted in October 1996, the purchasing card program has reduced the state's settlement process to just three days from up to 70 days, while generating approximately $48 million in taxpayer savings each year.

The accomplishment is even more remarkable considering that 10 years ago West Virginia had a reputation for late payments.

"Paying state bills on time used to be an enormous job," said Jack MacDonald, program director for the state's purchasing card program. "Our offices were overwhelmed with stacks of paper."

State Auditor, Glen B. Gainer III, decided it was time to change the way the state did business. He analyzed the existing payment system, documenting problems, and researching solutions — including the newest payment technology. He also made informal calls to auditors in Texas and Virginia to tap the insights of his colleagues on utilizing a purchasing card system in state government.

Not every agency official embraced the suggested changes. Some state employees insisted that switching to a more efficient system was impossible. Auditor Gainer's response was to create an advisory board representing 12 of the largest state agencies.

"Moving from a massive paper problem in state government to an electronic solution required an education for everyone involved," Auditor Gainer said. "After thoroughly studying the benefits and safeguards of the purchasing card system, even the most skeptical critics became vocal advocates."

Board members also held supervisory administrative positions, which was also critical in building a government-wide consensus.

"The decision [to move to purchasing cards] was based on common sense and responsible business practices," Auditor Gainer said. The governor showed his support of the new procurement system by making one of the very first state transactions on a purchasing card at a public ceremony.

Implementation has been gradual but consistent, starting with a modest six-month small purchases pilot program involving 30 cardholders in seven state agencies. The cost savings for each check not processed from the treasurer's office was found to be $45 to $60.

As efficiency savings mounted, the West Virginia legislature gradually voted to widen the scope of the payment program to include larger purchases and additional agencies. Ten years later, all 118 state agencies are mandated to participate in the program, and single transactions of state payment cards are set at $2,500 for agencies and $5,000 for higher education facilities (such as West Virginia University). Approximately half of all state purchases are currently made on purchasing cards, resulting in over 450,000 transactions with annual spend of more than $100 million each year.

Auditor Gainer is looking ahead.

"When we began this process, we felt there would be approximately 400,000 eligible transactions," he said. "Having accomplished that and more, we now believe there are 300,000 to 400,000 additional transactions that can be handled more efficiently on purchasing cards. There are still tremendous opportunities to realize greater efficiency in our state's day-to-day operations."

Some of the best practices implemented by Auditor Gainer and his team to accomplish the "impossible" include:

Accountability is critical. MacDonald is proud of the "extreme homework" performed by the original committee for the program, which drafted strict internal controls, policies, and procedures that are also precise and user-friendly. Stressing and upholding integrity sets the tone for success.

Constant training is essential. Too many controls scare people away from the program. Training ensures that procedures are understandable and accessible, and provides a guaranteed level of competency and compliance — the best way to prevent audit issues downstream.

A trusted bank partner and senior manager are invaluable as the program grows. West Virginia banks with BB&T which dedicates two local full-time managers, as well as a local team of state government experts, to oversee all account details, including operations, marketing, training, and monitoring to ensure the state reaches all possible goals and efficiencies. Daily feedback and premium personal banking service helps the state constantly modify how agencies and individuals use the cards, which leads to better performance.

A purchase card advisory committee made up of representatives from state universities, the bank, and the larger state agencies has been a win-win for West Virginia, meeting quarterly to answer the question "What can we do better?" Gathering in a team environment means fresh feedback from the field, the ability to hear all the pros and cons, and the chance to make informed decisions as a group. It is also a great motivator to air and discuss problems, and to duplicate success.

"In the course of my career, I can't think of any initiative that has ever achieved 100 percent consensus," Auditor Gainer said. "But our payment card advisory committee does it again and again. There are many spirited arguments and debates, but at the end of the day, the entire committee agrees that we are improving government."

Approximately $48 million in taxpayer savings each year is worth the effort.

News You Can Use

Visa remains committed to helping agency program coordinators navigate payment card program requirements in the ever-changing regulatory environment by addressing the latest developments through concise, information-rich forums where colleagues can meet, learn, and discuss best practices, products, and services.

U.S. Comptroller General, David Walker, (right) greets an attendee at the breakfast forum.

Improving Performance

Visa and *Government Executive* magazine hosted a breakfast forum in February to give executives from 28 federal government agencies and Visa financial institutions the opportunity to hear U.S. Comptroller General David Walker's thoughts on the current fiscal state of the nation. Walker, as head of the U.S. Government Accountability Office (GAO), shared his insights on improving performance and assuring accountability of government agencies.

Best Practices for States

In March, Visa extended its federal government forum program to state government officials at the annual comptroller's meeting of the National Association of State Auditors, Comptrollers and Treasurers (NASACT) in Charleston, West Virginia.

The Visa State Government Forum gave state purchase and travel card program managers access to workshops where state colleagues shared first-hand key learnings and best practices for administering successful payment card programs. Visa and financial institutions also provided information on the latest industry products and technology. Visa and NASACT will partner again in 2006 to host this valuable information and networking event in Washington D.C.

Danny Werfel, director, Financial Integrity and Analysis branch of the Office of Federal Financial Management

OMB Circular Draft

At the Agency/Organization Program Coordinators (A/OPC) Quarterly Update meeting in March, Danny Werfel, director of the Financial Integrity and Analysis branch of the Office of Federal Financial Management, participated in a Visa-sponsored forum on the most recent Office of Management and Budget (OMB) circular draft on management of charge card programs, released for public comment on March 3.

Steve Johnson, program manager for the Department of Defense's (DoD) travel card program, joined the discussion with insights on how the DoD has managed its travel card program — including the credit checks that now will be required for new purchase and travel cardholders at all agencies.

Visa's A/OPC Quarterly Update meetings will continue to focus on the most pressing charge card program issues.

Quantifying Card Benefits

The Association of Government Accountants (AGA) and Visa are collaborating on a study that will quantify the benefits that federal, state, and local agencies derive from implementing purchase and travel card programs. An advisory panel of government experts from federal and state agencies will assist in quantifying and validating the information. Initial study results are expected this summer.

Product Spotlight
Visa Fleet Card Brings Custom Solutions to Agencies on the Move

To build successful fleet programs, government agencies need the reporting tools necessary to meet the organization's fleet-specific data requirements. To help, Visa customized its Visa Fleet card platform for government agency use to provide fleet financial data in an effort to maximize discounts and internal controls, while also providing tax-reclamation assistance. While each product line is capable of standing alone, fleet programs have proven to be most successful when they are part of an overall card solution, including a purchase or travel card program. These enhanced services are built upon Visa's unparalleled worldwide acceptance.

Specialized Reporting Capabilities

Visa Fleet offers enhanced data capabilities for specialized reporting, giving organizations the specific transaction, merchant, and vehicle/driver information needed to quickly track vital information, such as employee compliance with spending policies or the purchasing characteristics necessary to negotiate volume discounts.

Enhanced fleet data is available through customized reporting that allows easy viewing and organizing of spending details. The data is available through the cooperation of a variety of fuel and maintenance merchant partners, both large and small, who participate in the Visa Fleet enhanced data collections system. Organizations that patronize smaller suppliers still have access to crucial detailed information; more than 150,000 fuel retailers and nearly 15,000 maintenance providers have implemented provisions for tracking enhanced data at the request of Visa Fleet cardholders.

This data provides information, such as miles-per-gallon calculations, unauthorized activity reports, and odometer readings in order to enhance compliance monitoring and identify under-performing vehicles. Organizations have the option of integrating this data into an existing accounting and financial system.

Johnnie Walker, deputy director of administrative services for the Washington D.C. Housing Authority, is thrilled with the way these options have played out in day-to-day operations of the more than 300 cars, trucks, and vans he oversees.

"Our previous fleet card only allowed us to purchase at one gas company, so our drivers routinely had to travel miles out of their way to refuel," Walker said. "But the Visa Fleet card gives us the freedom to fill up at the closest station, or the station that offers the best fuel price — a huge increase in efficiency. And it's so easy now to monitor spending. We can track specific cards and accounts easily and accurately around the clock."

Tax-Reclamation Assistance

Visa Fleet users also have the option of recovering eligible funds with tax-reclamation assistance. This simple process allows qualified governmental and nonprofit organizations to receive tax-reclamation services for their fuel and maintenance services. Visa employs NECS, which has more than 20 years of experience and is available to assist Visa Fleet customers with data collection, management, preparation of refund claims, recovery claim tracking/reporting, and recovery claim dispute resolution.

For additional information regarding the Visa Fleet card, please visit the Visa Web site at Visa.com/government

Martin Johnson: Profile in Managing Public Sector Products and Services

Martin Johnson, director, Public Sector Commercial Solutions, Visa USA

To familiarize readers with the faces behind Visa's leadership in the public sector, The Visa Exchange *regularly features internal staff profiles. This issue features Martin Johnson, director, Public Sector Commercial Solutions, Visa USA.*

Martin Johnson brings years of experience as a business solutions developer to the government services team, working closely with Visa to develop Procure-to-Pay best practices and tools for the federal, state, local, and university markets.

Johnson has taken the lead in overseeing the development and implementation efforts for Visa's public sector product suite, including purchase card program optimization.

"The need to decrease processing costs and increase program revenue is very important in the public sector," Johnson said. "One of the most rewarding aspects of my job is helping public organizations understand how easy it can be to accomplish these goals by expanding their use of purchasing cards. Our approach to program optimization is to help public sector clients quickly identify opportunities and provide the insight and tools to make their card programs more efficient."

Additionally, Johnson manages Visa Commerce, QMart, and Visa Tax Services within the public sector. He currently is working with Visa financial institutions to identify opportunities to conduct pilots for these products and services. He is also developing a white paper on the history of sales tax, use tax, and VAT taxes; the paper will identify when and how such taxes may be reclaimed by public sector organizations.

"I take great pride in working hard to help develop the best solutions for Visa financial institutions and their clients," Johnson said. "Visa's objective is to help public sector organizations optimize their financial efficiencies, so they can direct more resources toward their core missions. More efficient government ultimately benefits all of us."

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Individually-Billed Accounts Delinquency Rises to 6.41 Percent

The January 2005 government-wide Individually-Billed Accounts (IBA) delinquency rate has risen to 6.41 percent from 4.31 percent in December. Historically, the months of January and February have often been a time of increased delinquency, most notably because fewer people are traveling, which reduces the total outstanding balance compared to delinquent dollars. Even so, it's important to continually combat delinquency during this critical time.

Despite the current cyclical rise in delinquency, the government continues to reduce IBA delinquency rates on a year-over-year basis, demonstrating the program's ongoing success. During the last five years, delinquency rates in the month of January have dropped dramatically:

2000 – 19.56 percent
2001 – 16.15 percent
2002 – 12.98 percent
2003 – 10.24 percent
2004 – 8.69 percent
2005 – 6.41 percent

Options for improvement may include such strategies as maximizing the use of the banks' pre-suspension reports, deactivating cards, and/or reducing credit limits. The GSA SmartPay team and issuing banks are standing by to discuss ways to most effectively manage individual programs. Please contact the GSA SmartPay office or your bank for assistance.

Although the ultimate goal is to achieve low levels of delinquency every month, it is promising to see how quickly delinquency is dropping overall. Visa encourages Agency/Organization Program Coordinators (A/OPCs) to continue their outstanding efforts throughout 2005.

Government-Wide Delinquency Rate Trends
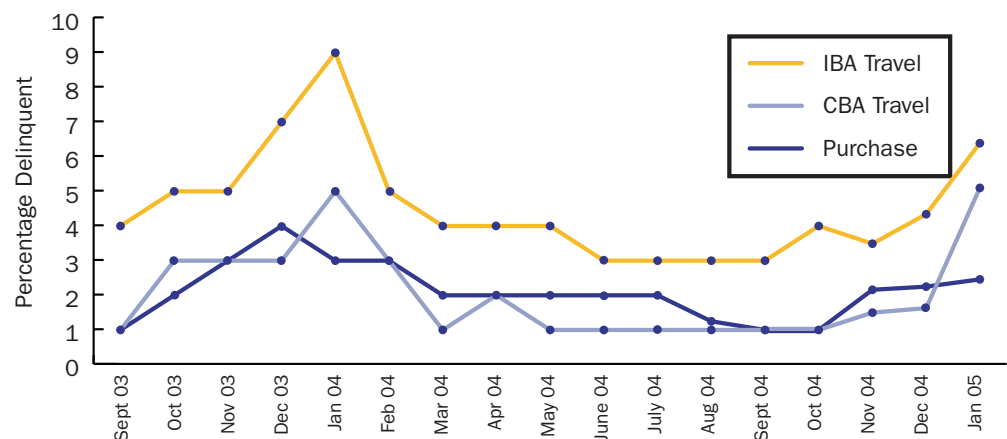
Trends and Directions

The second Visa Agency Program Coordinator Network Meeting, held in March, brought together executive-level government experts, government agencies, and Visa financial institutions for an in-depth discussion on proposed and newly-issued regulatory changes.

With so many changes and challenges occurring in card programs, and the overwhelming workloads of agency program coordinators (APCs), we feel an obligation to help managers stay current. These meetings will bring the latest government policy issues directly to APCs in an information-rich format, featuring a brief presentation by a guest speaker, followed by an active discussion on the impact of these issues to daily programs.

Insights on the OMB Circular

The March meeting addressed the recently released draft OMB circular "Improving the Management of Government Charge Card Programs." Danny Werfel, director, Financial Integrity and Analysis Branch in the Office of Federal Financial Management, Office of Management and Budget (OMB), and Steve Johnson, program manager for the Department of Defense (DoD) Travel Card Program, joined the meeting to discuss the content of the circular.

The OMB recently centralized government-wide oversight of payment cards in Werfel's branch. Werfel spoke about his office's efforts to develop the draft OMB circular on charge card management requirements for travel, purchase, fleet, AIR, and SEA card programs. Johnson explained how the DoD currently performs credit checks on individually-billed travel card accounts.

Werfel discussed all sections of the circular, but the controversial issue of creditworthiness took center stage with attendees because the proposed change would require that potential travel and purchase cardholders first be deemed creditworthy before being issued a travel or purchase card.

Understanding the Credit Check Process

The current draft circular requires agencies to perform credit checks to determine if a first-time cardholder's FICO score (the credit score developed by Fair Isaac and Company) is at a level that indicates financial responsibility. Cardholders with FICO scores of 660 or more may be given a purchase or travel card without restrictions.

Purchase card applicants with a FICO score between 500 and 660 may be issued a card, but more stringent restrictions will apply. Agencies may not issue a purchase card to applicants with FICO scores lower than 500.

First-time travel card applicants with FICO scores lower than 660 may be issued a restricted card. If an individual has no credit history or refuses to allow a credit check, a restricted travel card may be issued.

If an individual has no history or refuses to allow a credit check for a purchase card, the agency may issue a restricted card, but only after performing an alternate creditworthiness evaluation by reviewing the proposed applicant's most recent Standard Form (SF) 85P, Section 22 Questionnaire for Public Trust Positions, or SF 86, Section 27. If these completed forms on the proposed applicant are either unavailable or more than one year old, the agency must use a similar vehicle, such as an agency-created document containing the same type of questions, to assess credit worthiness.

The DoD currently is performing in accordance with the draft circular requirement on proposed individually-billed travel accounts. The DoD asks cardholders to check a box on their card applications from the bank if they wish to authorize a credit check. Cardholders who authorize a credit check in this way are then issued a card (restricted/unrestricted) based on their FICO scores. If the applicant does not allow the credit check, the bank automatically issues a restricted card. The card restrictions are predetermined by the DoD and shared with the bank. The bank does not reveal card applicants' FICO scores, and the DoD does not maintain any employee credit information.

Implementing Card Restrictions

In implementing card restrictions for the purpose of meeting circular requirements, the agency will take one or more of the following actions:

- Reduce the overall dollar limit for the card
- Reduce the limit of individual transaction amounts
- Limit (or further limit, if applicable) types of transactions allowed
- Issue a prepaid card that automatically restricts dollar amount and transaction types
- Limit (or further limit, if applicable) the dollar amount of transactions that can be applied to the card within a particular time period
- Limit (or further limit, if applicable) the length of time a card remains active, such as the length of time in travel status only
- Restrict (or further restrict, if applicable) card use at ATMs

Other areas discussed at the meeting included delinquencies, refunds, training, and internal controls. Best practices for each of these areas are included in the new circular. The draft circular is currently published in the Federal Register for Public Comment and is also available at *http://www.whitehouse.gov/omb/financial/index.html*.

Visa plans to hold Agency Program Coordinator Network Meetings on a quarterly basis and welcomes suggestions on important, relevant topics for the scheduled APC June meeting. Suggestions can be sent to *brsulliv@visa.com*.

Mark Your Calendar
2005 Government Events

April 2005

NCMA (National Contract
Management Association)
World Congress 2005
April 25-27, 2005
Phoenix, AZ

May 2005

Visa Government Forum
May 5-6, 2005
Washington, D.C.

Visa International Conference
May 17-19, 2005
Singapore

ASMC (American Society
of Military Comptrollers)
Conference
May 31 - June 3, 2005
Salt Lake City, UT

June 2005

FedFleet
June 7-9, 2005
Nashville, TN

July 2005

NACUBO (National Association
of College and University
Budget Officers) 2005
July 9-12, 2005
Baltimore, MD

AGA (Association of
Government Accountants)
Annual Professional
Development Conference
and Exposition
July 10-13, 2005
Orlando, FL

Excellence in Government – East
July 27-30, 2005
Washington, D.C.

NIGP (National Institute of
Government Purchasers)
Annual Forum and
Products Exposition
July 30-Aug. 3, 2005
Anaheim, CA

August 2005

NASACT Annual Forum
(National Association State
Accountants, Comptrollers,
and Treasurers)
Aug. 13-17, 2005
Portland, OR

Annual GSA SmartPay
Conference
Aug. 27-Sept. 1, 2005
Boston, MA

November 2005

Coalition for Government
Procurement Awards Dinner
November 2005
Washington, D.C.

December 2005

Excellence in Government – West
December 2005
San Diego, CA

We Want to Hear From You!

Ask Visa

Have questions about payment trends, program management, or how to implement best practices?
Just Ask Visa. The upcoming Ask Visa section will feature your questions along with practical
answers that feature innovative, real-world applications.

Innovative Use of Purchase and Travel Cards

Share your success! Everyone can learn from the improvements and best practices of individual
agencies. We want to hear about your achievements — how you've used purchase cards or travel
cards to increase your agency's cost savings or to achieve other agency goals. The Visa Exchange
will highlight your accomplishments in upcoming editions.

Please submit questions or a synopsis of your achievements to Melanie Sisler at msisler@visa.com.

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